

CITY OF HUXLEY, IOWA

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS**

YEAR ENDED JUNE 30, 2005

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City of Huxley, Iowa

Officials

Name

Nels Nord	Mayor	Jan 2006
Craig Henry	Mayor Pro tem	Jan 2006
Richard Baldwin	Council Member	Jan 2006
Scott Meldrum	Council Member	Jan 2006
Leslee Beglinger	Council Member	Jan 2008
Chad Lovig	Council Member	Jan 2008
John Haldeman	City Administrator	Oct 2007
Lee Ruddick	City Clerk	Indefinite
John Hendricks	City Treasurer	Jan 2006
Frank Feilmeyer	City Attorney	Jan 2006
Wade Greimen	City Engineer	Jan 2006

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and aggregate remaining fund information of the City of Huxley, Iowa as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Huxley's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Huxley as of June 30, 2005, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated August 4, 2005 on our consideration of the City of Huxley's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on page 4 through 9 and 26 through 28 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Huxley's basic financial statements. Other auditors previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2004 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Cornwell, Frideres, Maher & Associates, P.C.
Certified Public Accountants

August 4, 2005

**CITY OF HUXLEY, IOWA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2005**

Our discussion and analysis of the City of Huxley's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2005, within the limitations of the City's modified cash basis of accounting. Please read it in conjunction with the City's financial statements that begin on page 10.

2005 FINANCIAL HIGHLIGHTS

Total Revenue from all other sources excluding water and sewer increased by \$196,192.00. Revenue from water and sewer increased by \$51,369.00 with no increase in the rates. The city refinanced the bond issuance for the Community Center, thereby freeing up the \$400,000 reserve that was required by the previous loan agreement.

USING THIS ANNUAL REPORT

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the City's modified cash basis of accounting.

Report Components

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

Government-Wide Financial Statements: The Statement of Net Assets and the Statement of Activities (on pages 10-11) provide information about the activities of the City government-wide (or "as a whole") and present an overall view of the City's finances.

Fund Financial Statements: Fund financial statements (starting on page 12) focus on the individual parts of the City government. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant ("major") funds. For *governmental activities*, these statements tell how these services were financed in the short term as well as what remains for future spending. For *proprietary activities*, these statements offer short-term and long-term financial information about the activities the City operates like business, such as the water and sewer services.

Notes to the Financial Statements: The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statement.

Required Supplementary Information: This Management’s Discussion and Analysis and the General Fund Budgetary Comparison Schedule (starting on page 26) represents financial information required by GASB to be presented. Such information provides users of this report with additional data that supplements the government-wide statements, fund financial statements, and notes (referred to as “the basic financial statements”).

Other Supplementary Information: This part of the annual report (starting on page 29) includes optional financial information. This other supplemental financial information is provided to address certain specific needs of various users of the City’s annual report.

BASIS OF ACCOUNTING

The City has elected to present its financial statements on a cash basis of accounting. The cash basis of accounting is a basis other than generally accepted accounting principles. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses and their related assets and liabilities. Under the City’s cash basis of accounting, revenues and expenses are recorded when they result from cash transactions. As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods and services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the City as a Whole

The City’s Reporting Entity Presentation

- This annual report includes all activities for which the City of Huxley City Council is fiscally responsible.

The Government-Wide Statement of Net Assets and the Statement of Activities

One of the most important questions asked about the City’s finances is, “Is the City as a whole better off or worse off as a result of the year’s activities?” The Statement of cash receipts, disbursements and changes in cash balances report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all of the City’s assets and liabilities resulting from the use of the modified cash basis of accounting.

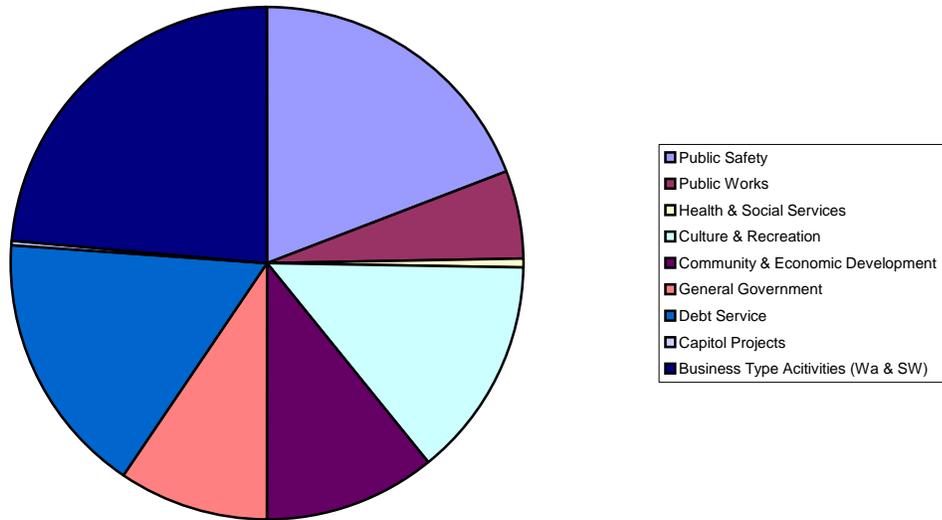
The Statement of cash receipts, disbursements and changes in cash balances report is divided into two kinds of activities:

- Governmental Activities include public safety, streets, culture and recreation, community and economic development, general government, debt service and

capital projects. Property tax and state and federal grants finance most of these activities.

These two statements report the City's net assets and changes in them. Keeping in mind the limitations of the modified cash basis of accounting, you can think of the City's net assets-the difference between assets and liabilities-as one way to measure the City's financial health or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the City's sales tax base and the condition of the City's roads, to assess the overall health of the City.

Disbursements by Program

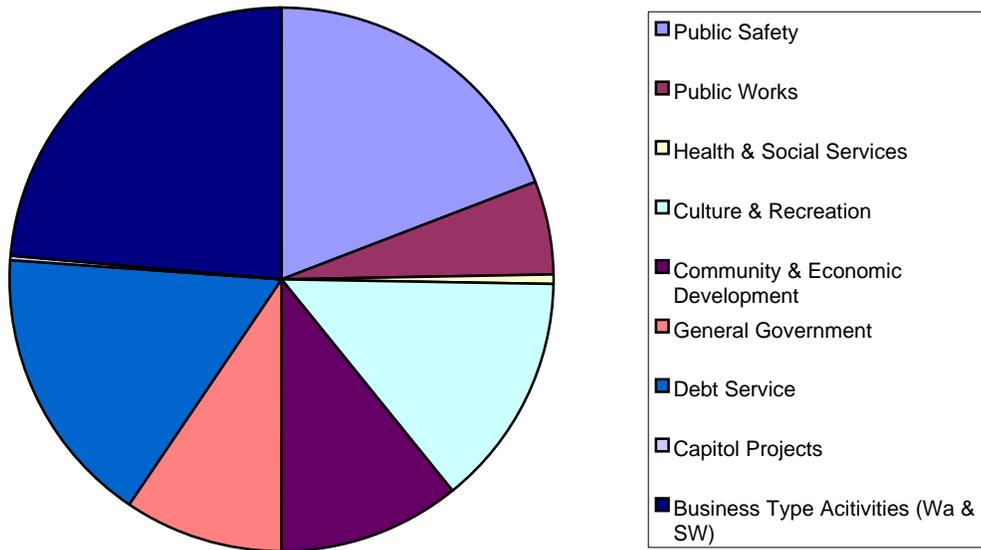


In the Statement of Cash Receipts, Disbursements and Changes in Cash Balances, we divide the City into two kinds of activities:

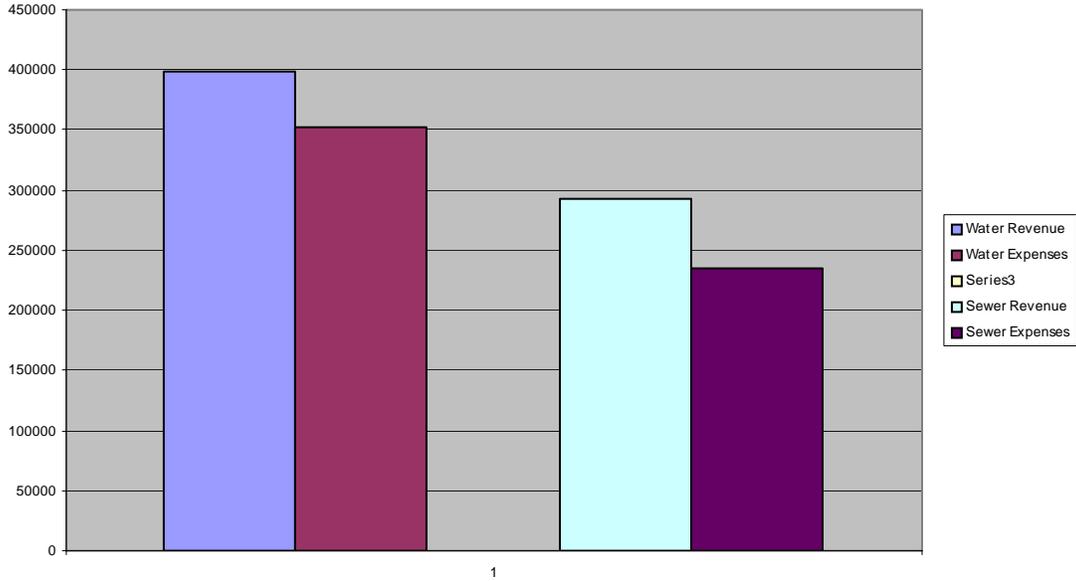
Nonmajor Governmental Funds. Most of the City’s basic services are reported here, including the police, fire, general administration, streets, parks, culture and recreation, community and economic development, debt service and capital projects. Property taxes, sales taxes, franchise fees, fines, and state and federal grants finance most of these activities.

Business (proprietary funds) type activities. The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City’s water and sewer systems are reported here. The City maintains two Enterprise Funds to provide separate information for the water and sewer funds, considered to be major funds of the City.

Disbursements by Program



Business-Type Activities Revenue and Expenses
Modified Cash Basis



DEBT ADMINISTRATION

At June 30, 2005, the City had approximately \$5,536,000 in bonds and other long-term debt, compared to approximately \$5,613,000 last year, as shown below

Outstanding Debt at Year End		
	June 30, 2005	2004
General Obligation Bonds	\$ 440,000	460,000
Water Improvement Bond, Series 2003		
General Obligation	3,490,000	
Refunding Bonds 2004		
Urban Renewal Tax Increment	0	1,940,000
Financing (TIF) Revenue Bonds		
Urban Renewal Tax Increment	0	1,535,000
Financing (TIF) Revenue Bonds		
State Revolving Fund Loan	1,606,000	1,678,000
Total	5,536,000	5,613,000

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the City Clerk's office at 515 North Main Ave., Huxley, IA 50124 or telephone 515-597-2561.

Basic Financial Statements

City of Huxley, Iowa
Statement of Activities and Net Assets - Cash Basis
As of and for the year ended June 30, 2005

	Program Receipts		
		Charges for	Operating Grants, Contributions, and Restricted
	<u>Disbursements</u>	<u>Services</u>	<u>Interest</u>
Functions/Programs:			
Governmental activities:			
Public safety	\$ 579,136	52,294	115,995
Public works	172,008	-	192,566
Health and social services	10,070	-	-
Culture and recreation	423,321	182,791	127,746
Community and economic development	332,313	118,310	-
General government	282,191	49,110	-
Debt service	499,620	-	-
Capital projects	158,420	-	-
Total governmental activities	<u>2,457,079</u>	<u>402,505</u>	<u>436,307</u>
Business type activities:			
Water	360,292	379,562	-
Sewer	208,036	283,468	-
Total business type activities	<u>568,328</u>	<u>663,030</u>	<u>-</u>
Total	<u>\$ 3,025,407</u>	<u>1,065,535</u>	<u>436,307</u>

General Receipts:

Property tax levied for:	
General purposes	
Tax increment financing	
Debt service	
Local option sales tax	
Grants and contributions not restricted to specific purpose	
Unrestricted interest on investments	
Loan repayment	
Bond proceeds	
Refunding bond proceeds	
Payment to refunded bond escrow agent	
Miscellaneous	
Total general receipts and transfers	
Change in cash basis net assets	
Cash basis net assets beginning of year	
Cash basis net assets end of year	

Cash Basis Net Assets

Restricted:	
Streets	
Urban renewal purposes	
Debt services	
Unrestricted	
Total cash basis net assets	

See notes to financial statements.

Exhibit A

Governmental Activities	Business Type Activities	Total
(410,847)	-	(410,847)
20,558	-	20,558
(10,070)	-	(10,070)
(112,784)	-	(112,784)
(214,003)	-	(214,003)
(233,081)	-	(233,081)
(499,620)	-	(499,620)
(158,420)	-	(158,420)
<u>(1,618,267)</u>	<u>-</u>	<u>(1,618,267)</u>
-	19,270	19,270
-	75,432	75,432
-	<u>94,702</u>	<u>94,702</u>
<u>(1,618,267)</u>	<u>94,702</u>	<u>(1,523,565)</u>
189,029	-	189,029
1,374,213	-	1,374,213
165,542	-	165,542
224,589	-	224,589
11,574	-	11,574
25,447	27,648	53,095
46,000	-	46,000
160,000	-	160,000
3,656,364	-	3,656,364
(3,656,364)	-	(3,656,364)
92,340	7,350	99,690
<u>2,288,734</u>	<u>34,998</u>	<u>2,323,732</u>
670,467	129,700	800,167
990,491	1,221,234	2,211,725
<u>\$ 1,660,958</u>	<u>1,350,934</u>	<u>3,011,892</u>
\$ 268,764	-	268,764
1,113,657	-	1,113,657
61,085	-	61,085
217,452	1,350,934	1,568,386
<u>\$ 1,660,958</u>	<u>1,350,934</u>	<u>3,011,892</u>

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Governmental Funds

As of and for the year ended June 30, 2005

	<u>General</u>	<u>Special Revenue Tax Increment Financing</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
Receipts:				
Property tax	\$ 173,766	-	160,378	334,144
Tax increment financing collections	-	1,374,213	-	1,374,213
Other city tax	45,270	-	229,753	275,023
Licenses and permits	34,993	-	-	34,993
Use of money and property	26,319	12,633	-	38,952
Intergovernmental	274,029	-	192,566	466,595
Charges for services	201,695	-	-	201,695
Miscellaneous	<u>195,379</u>	<u>-</u>	<u>552</u>	<u>195,931</u>
Total receipts	<u>951,451</u>	<u>1,386,846</u>	<u>583,249</u>	<u>2,921,546</u>
Disbursements				
Operating:				
Public safety	579,136	-	-	579,136
Public works	28,375	-	143,633	172,008
Health and social services	10,070	-	-	10,070
Culture and recreation	423,321	-	-	423,321
Community and economic development	191,982	140,331	-	332,313
General government	282,191	-	-	282,191
Debt service	-	334,936	164,684	499,620
Capital projects	<u>-</u>	<u>-</u>	<u>158,420</u>	<u>158,420</u>
Total disbursements	<u>1,515,075</u>	<u>475,267</u>	<u>466,737</u>	<u>2,457,079</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(563,624)</u>	<u>911,579</u>	<u>116,512</u>	<u>464,467</u>
Other financing sources (uses):				
Economic development loan repayment received	-	2,000	44,000	46,000
Equipment loan proceeds	160,000	-	-	160,000

(continued)

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Governmental Funds

As of and for the year ended June 30, 2005

	<u>General</u>	Special <u>Revenue</u> Tax Increment <u>Financing</u>	Other Nonmajor Governmental <u>Funds</u>	<u>Total</u>
Refunding bond proceeds	-	3,656,394	-	3,656,394
Payment to refunded bond escrow agent	-	(3,656,394)	-	(3,656,394)
Operating transfers in	224,589	-	188,373	412,962
Operating transfers out	-	(188,373)	(224,589)	(412,962)
Total other financing sources (uses)	<u>384,589</u>	<u>(186,373)</u>	<u>7,784</u>	<u>206,000</u>
Net change in cash balances	(179,035)	725,206	124,296	670,467
Cash balances beginning of year	<u>465,600</u>	<u>388,451</u>	<u>136,440</u>	<u>990,491</u>
Cash balances end of year	<u>\$ 286,565</u>	<u>1,113,657</u>	<u>260,736</u>	<u>1,660,958</u>
Cash Basis Fund Balances				
Reserved:				
Debt service	\$ -	-	61,085	61,085
Unreserved:				
General funds	286,565	-	-	286,565
Special revenue funds	-	1,113,657	234,764	1,348,421
Capital project funds	-	-	(35,432)	(35,432)
Permanent fund	-	-	319	319
Total cash basis fund balances	<u>\$ 286,565</u>	<u>1,113,657</u>	<u>260,736</u>	<u>1,660,958</u>

See notes to financial statements.

Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds

As of and for the year ended June 30, 2005

	Proprietary Funds		Other Nonmajor Meter	Total
	Water	Sewer	Deposits	
Operating receipts:				
Permits	\$ 16,775	13,855	-	30,630
Use of money and property	18,446	9,202	-	27,648
Charges for services	346,044	268,635	-	614,679
Miscellaneous	16,742	979	7,350	25,071
Total operating receipts	398,007	292,671	7,350	698,028
Operating disbursements:				
Business type activities	233,757	208,036	-	441,793
Total operating disbursements	233,757	208,036	-	441,793
Excess (deficiency) of operating receipts over (under) operating disbursements	164,250	84,635	7,350	256,235
Non-operating receipts (disbursements):				
Debt services	(126,535)	-	-	(126,535)
Total non-operating receipts (disbursements)	(126,535)	-	-	(126,535)
Excess (deficiency) of receipts over (under) disbursements	37,715	84,635	7,350	129,700
Operating transfers in (out)	(605)	605	-	-
Net change in cash balances	37,110	85,240	7,350	129,700
Cash balances beginning of year	710,221	489,228	21,785	1,221,234
Cash balances end of year	\$ 747,331	574,468	29,135	1,350,934
Cash Basis Fund Balances				
Reserved for debt service	\$ 8,984	-	-	8,984
Unreserved	738,347	574,468	29,135	1,341,950
Total cash basis fund balances	\$ 747,331	574,468	29,135	1,350,934

See notes to financial statements.

City of Huxley, Iowa

Notes to Financial Statements

June 30, 2005

(1) Summary of Significant Accounting Policies

The City of Huxley (the City) is a political subdivision of the State of Iowa located in Story County. It was first incorporated in 1902 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Story County Assessor's Conference Board, Story County Joint E911 Service Board and Story County Emergency Management Commission.

The City also participates in the Ames Story County Affordable Housing Partnership, a jointly governed organization established pursuant to Chapter 28E of the Code of Iowa.

City of Huxley, Iowa

Notes to Financial Statements

June 30, 2005

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

City of Huxley, Iowa

Notes to Financial Statements

June 30, 2005

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid through other funds.

Special Revenue:

The Tax Increment Financing Revenues Fund is used to account for revenues from the tax authorized by ordinance in the urban renewal district and used to pay the principal and interest on the general obligation capital loan notes and other indebtedness incurred for urban renewal redevelopment projects.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

C. Measurement Focus and Basis of Accounting

The City of Huxley maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Proprietary funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements.

City of Huxley, Iowa

Notes to Financial Statements

June 30, 2005

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, disbursements exceeded the amounts budgeted in the culture and recreation and community and economic development functions.

(2) **Cash and Pooled Investments**

The City's deposits in banks at June 30, 2005 were entirely covered by federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City's investments at June 30, 2005 are as follows:

	<u>Carrying Amount</u>	<u>Market Value</u>
U.S. Savings Bonds	\$ 12,352 =====	\$ 12,352 =====

Interest Rate Risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

City of Huxley, Iowa

Notes to Financial Statements

June 30, 2005

(3) Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation bonds and revenue bonds are as follows:

Year Ending <u>June 30,</u>	General Obligation <u>Refunding Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2006	\$ 400,000	106,020
2007	405,000	97,220
2008	415,000	87,297
2009	430,000	76,093
2010	435,000	63,407
2011	450,000	49,705
2012	470,000	34,630
2013	485,000	17,945
2014	-	-
2015	-	-
2016	-	-
2017	-	-
2018	-	-
2019	-	-
2020	-	-
2021	-	-
2022	-	-
Totals	<u>\$ 3,490,000</u> =====	<u>532,317</u> =====

City of Huxley, Iowa

Notes to Financial Statements

June 30, 2005

Year Ending June 30,	State Revolving Fund General Obligation Bonds		State Revolving Fund Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 20,000	13,200	74,000	48,180	494,000	167,400
2007	21,000	12,600	76,000	45,960	502,000	155,780
2008	22,000	11,970	78,000	43,680	515,000	142,947
2009	22,000	11,310	81,000	41,340	533,000	128,743
2010	23,000	10,650	83,000	38,910	541,000	112,967
2011	23,000	9,960	86,000	36,420	559,000	96,085
2012	24,000	9,270	88,000	33,840	582,000	77,740
2013	25,000	8,550	91,000	31,200	601,000	57,695
2014	26,000	7,800	94,000	28,470	120,000	36,270
2015	26,000	7,020	96,000	25,650	122,000	32,670
2016	27,000	6,240	99,000	22,770	126,000	29,010
2017	28,000	5,430	102,000	19,800	130,000	25,230
2018	29,000	4,590	105,000	16,740	134,000	21,330
2019	30,000	3,720	108,000	13,590	138,000	17,310
2020	31,000	2,820	112,000	10,350	143,000	13,170
2021	32,000	1,890	115,000	6,990	147,000	8,880
2022	<u>31,000</u>	<u>930</u>	<u>118,000</u>	<u>3,540</u>	<u>149,000</u>	<u>4,470</u>
Totals	\$ 440,000 =====	127,950 =====	1,606,000 =====	467,430 =====	5,536,000 =====	1,127,697 =====

The City has entered into an agreement with the Iowa Finance Authority that provides for maximum borrowing of \$1,816,000 from the State Revolving Fund. The indebtedness shall be evidenced by duly authorized and issued water revenue bonds. The resolutions providing for the issuance of the revenue bonds include a provision for sufficient monthly transfers to be made to a separate water revenue bonds sinking account for the purpose of making the bonds principal and interest payments when due. As of June 30, 2005, the City had drawn \$1,816,000 of the available proceeds. The bonds have an interest rate of 3% and mature June 1, 2022.

City of Huxley, Iowa

Notes to Financial Statements

June 30, 2005

The City entered into an agreement with the Iowa Finance Authority that provides for maximum borrowing of \$500,000 from the State Revolving Fund. The indebtedness shall be evidenced by duly authorized and issued water general obligation bonds. As of June 30, 2005 the City had drawn \$498,000 of the available proceeds. The bonds have an interest rate of 3% and mature June 1, 2022. The Code of Iowa requires that principal and interest on general obligation bonds are to be paid from the Debt Service Fund. However, during the year \$33,800 of bond principal and interest was paid from the Tax Increment Financing Fund.

On November 1, 2004, the City issued \$3.725 million in general obligation bonds with an average interest rate of 2.8 percent to advance refund \$3.475 million of outstanding Urban Renewal Tax Increment Financing (TIF) revenue bonds with an average interest rate of 4.2 percent. The net proceeds of \$3.656 million (after payment of \$.069 million of issuance costs) were used to purchase U.S. government securities. Those securities were deposited in a revocable trust with an Escrow agent to provide for all future debt service payments on the TIF revenue bonds. As a result, the TIF revenue bonds are considered to be defeased and the liability for those bonds has been removed from the Schedule of Indebtedness.

(4) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of annual covered payroll except for police employees, in which case the percentages are 6.16% and 9.23%, respectively. For the year ended June 30, 2004, the contribution rates for police employees and the City were 5.93% and 8.907%, respectively, and for the year ended June 30, 2003, the contribution rates for police employees and the City were 6.04% and 9.07%, respectively. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$44,676, \$42,996 and \$37,670, respectively, which is equal to the required contribution for each year.

City of Huxley, Iowa

Notes to Financial Statements

June 30, 2005

(5) Compensated Absences

City employees accumulate earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. Employees may carry unused time forward to the next benefit year. If the total amount of unused vacation time exceeds two times the annual vacation amount at the end of any calendar year, excess vacation time will be lost. Sick leave has no maximum accumulation and is paid at the rate of 25% of the accrued sick leave at time of retirement, at the age the employee is entitled to social security benefits or at death. These accumulations are not recognized as disbursements until used or paid. The City's approximate liability for earned compensated absences for vacation hours payable to employees totaled \$41,750 at June 30, 2005, primarily relating to the General Fund. This liability has been computed based on rates of pay as of June 30, 2005.

(6) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2005 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue: Local Option Tax	\$ 224,589
Capital Projects: Library Project	Special Revenue: Tax Increment Financing	25,965
Capital Projects: Water System Project	Special Revenue Tax Increment Financing	162,408
Enterprise: Sewer	Enterprise: Water	<u>605</u>
Total		\$ 413,567 =====

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

City of Huxley, Iowa

Notes to Financial Statements

June 30, 2005

(7) Commitments

In 1996, the City of Huxley entered into a 28E agreement with the City of Ames (Ames) to participate in a waste reclamation, recycling and solid waste disposal system. Ames governs, controls, administers and operates the system and determines the amount of current and future debt required to operate the system.

The City is obligated to pay its proportionate share of the operating costs plus debt service less income until June 30, 2014 unless both parties agree to terminate. The share is determined based on the ratio that the population of the City bears to the total of the population of all the participants. The City's share is presently 3.24% of the total and the payment for the year ended June 30, 2005 was \$25,765.

In 2001, the City entered into a 28E agreement with the Ballard Community School District (Ballard) for the construction and operation of a community center and a library. The center is jointly operated and governed by the City and Ballard. The City was responsible for the construction of the building. Each party is responsible for certain equipment required in the operation of the center and maintenance required. The City is obligated on the agreement until June 30, 2051 unless both parties agree to terminate.

In March 2005, the City approved issuing general obligation bonds to help defray the cost of insurance and the purchase of a new fire truck.

The City has approved improvements to its wastewater treatment plant for approximately \$3-5 million. As of the date of the audit report this project is in the design phase. This project will be funded with state revolving loan and tax increment financing funds.

The City has approved improvements to Centennial Drive for approximately \$460,000. As of June 30, 2005, \$1,167 has been spent on this project. This project will be funded with Department of Transportation assistance and tax increment financing funds.

(8) Economic Development

Economic development is a public purpose for which the City may provide grants, loans, guarantees and other financial assistance to or for the benefit of private persons as provided by Section 15A.1 of the Code of Iowa.

City of Huxley, Iowa

Notes to Financial Statements

June 30, 2005

The City entered into the following loan agreements in which the borrower has applied to the City for financial assistance under this section of the Code in connection with the borrower's plan to locate and enlarge its business enterprise within the City's corporate limits. The proceeds of the loans were considered disbursements in the tax increment financing fund in the appropriate fiscal years.

<u>Borrower</u>	<u>Date of Loan</u>	<u>Amount Expended</u>
Whistle Stop Daycare	January 1, 2001	\$ 10,000
Blumster's on Main	February 1, 2002	6,000
Dairy Queen	December 1, 2001	10,000
CAS Enterprises, Inc. d/b/a Kreg Tool Co.	August 10, 2001	<u>15,000</u>
Total		\$ 41,000 =====

In addition, the City has a loan agreement with Dr. Kirk Peterson in which the borrower has applied to the City for financial assistance in connection with the borrower's plan to relocate and enlarge his business enterprise within the City's corporate limits. The City has agreed to ten loans of \$7,500 each payable at \$625 per month beginning January 1, 1996 and ending December 31, 2005. The payments made as of June 30, 2005 totaled \$71,250 leaving an outstanding liability of \$3,750. The annual payments have been recorded in the general fund.

Also, the City has a loan agreement with Gerald J. Durand and Dale L. Francis in which the borrowers have applied to the City for financial assistance in connection with the borrowers' plan to establish a business within a tax increment financing district. The City agreed to loan \$150,000 to be used towards the purchase of certain real estate. No amounts have been repaid as of June 30, 2005. This loan is in default and the City is proceeding with legal action against the borrowers.

As long as each borrower fully performs and is in compliance with all covenants of the loan agreement, the City shall release the borrower from its obligation to pay the future installments of principal and interest. If, however, the borrower fails to perform or is not in compliance with all covenants, the borrower will be required to pay all obligations as they come due. As of June 30, 2005, the Dairy Queen was in default of its loan agreement and will be required to repay its balance.

City of Huxley, Iowa

Notes to Financial Statements

June 30, 2005

During 2002, the City entered into a loan agreement with Huxley Townhomes, L.C. (the Developer) to loan the Developer a maximum of \$111,000 for the development of certain real estate located within a tax increment financing district. The loan proceeds were already disbursed to Meadowview, L.C. and were assigned to the Developer. Repayment of the loan will be at the rate of \$5,500 per unit sold by the Developer, or the outstanding balance, whichever is less. Any remaining balance is due December 1, 2006. The full amount of this loan will be secured by a mortgage on the property. During the year ended June 30, 2005, the Developer repaid the City \$44,000 leaving \$34,000 to be repaid.

(9) Risk Management

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance from independent third parties. The City assumes liability for any deductible and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Deficit Fund Balances

The Special Revenue Fund – Huxley Townhomes, L.C. Loan had a deficit balance of \$34,000. The deficit is the result of monies being loaned for economic development. The deficit will be eliminated when the outstanding balance is repaid (see Note 8). The Capital Projects Funds – U.S. 69/Centennial Drive Project, Entryway Project and Wastewater Facility Project had deficit balances of \$1,167, \$6,625 and \$27,640, respectively. The deficits are the result of ongoing capital projects. The deficits will be eliminated upon receipt of tax increment financing funds.

(11) Litigation

In addition to the lawsuit noted in note 8, the City is subject to pending litigation seeking compensation of approximately \$58,000. The probability of loss, if any, is indeterminable.

The City was also involved in litigation with a former city employee who was convicted of fifth degree theft. The amount lost by the City is immaterial to the financial statements.

Required Supplementary Information

City of Huxley, Iowa

Budgetary Comparison Schedule
of Receipts, Disbursements, and Changes in Balances -
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds

Required Supplementary Information

Year ended June 30, 2005

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>
Receipts:		
Property tax	\$ 334,144	-
Tax increment financing collections	1,374,213	-
Other city tax	275,023	-
Licenses and permits	34,993	30,630
Use of money and property	38,952	27,648
Intergovernmental	466,595	-
Charges for services	201,695	614,679
Miscellaneous	195,931	25,071
Total receipts	<u>2,921,546</u>	<u>698,028</u>
Disbursements:		
Public safety	579,136	-
Public works	172,008	-
Health and social services	10,070	-
Culture and recreation	423,321	-
Community and economic development	332,313	-
General government	282,191	-
Debt service	499,620	126,535
Capital projects	158,420	-
Business type activities	-	441,793
Total disbursements	<u>2,457,079</u>	<u>568,328</u>
Excess (deficiency) of receipts over (under) disbursements	464,467	129,700
Other financing sources, net	<u>206,000</u>	<u>-</u>
Excess of receipts and other financing sources over disbursements and other financing uses	670,467	129,700
Balances beginning of year	<u>990,491</u>	<u>1,221,234</u>
Balances end of year	<u>\$ 1,660,958</u>	<u>1,350,934</u>

See accompanying independent auditor's report.

<u>Net</u>	<u>Budgeted Amounts</u>		<u>Final to Net Variance</u>
	<u>Original</u>	<u>Final</u>	
334,144	328,575	328,575	5,569
1,374,213	1,324,000	1,324,000	50,213
275,023	243,821	243,821	31,202
65,623	20,600	44,600	21,023
66,600	30,400	53,400	13,200
466,595	430,750	495,750	(29,155)
816,374	826,800	826,800	(10,426)
221,002	69,950	169,950	51,052
<u>3,619,574</u>	<u>3,274,896</u>	<u>3,486,896</u>	<u>132,678</u>
579,136	490,000	585,000	5,864
172,008	178,500	183,500	11,492
10,070	6,900	11,900	1,830
423,321	402,500	420,900	(2,421)
332,313	19,300	260,300	(72,013)
282,191	257,300	339,300	57,109
626,155	798,000	798,000	171,845
158,420	165,000	165,000	6,580
441,793	617,000	617,000	175,207
<u>3,025,407</u>	<u>2,934,500</u>	<u>3,380,900</u>	<u>355,493</u>
594,167	340,396	105,996	488,171
<u>206,000</u>	<u>(889,000)</u>	<u>(889,000)</u>	<u>1,095,000</u>
800,167	(548,604)	(783,004)	1,583,171
<u>2,211,725</u>	<u>1,850,391</u>	<u>1,850,391</u>	<u>361,334</u>
<u><u>3,011,892</u></u>	<u><u>1,301,787</u></u>	<u><u>1,067,387</u></u>	<u><u>1,944,505</u></u>

City of Huxley, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2005

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and nonprogram. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$446,400. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2005, disbursements exceeded the amounts budgeted in the culture and recreation and community and economic development functions.

Other Supplementary Information

City of Huxley, Iowa

Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Nonmajor Governmental Funds

As of and for the year ended June 30, 2005

	Special Revenue Funds			Water System Project
	Road Use Tax	Local Option Sales Tax	Huxley Townhomes, L.C. Loan	
Receipts:				
Property tax	\$ -	-	-	-
Other city tax	-	224,589	-	-
Intergovernmental	192,566	-	-	-
Miscellaneous	552	-	-	-
Total receipts	<u>193,118</u>	<u>224,589</u>	<u>-</u>	<u>-</u>
Disbursements:				
Operating:				
Public works	143,633	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	119,215
Total disbursements	<u>143,633</u>	<u>-</u>	<u>-</u>	<u>119,215</u>
Excess (deficiency) of receipts over (under) disbursements	<u>49,485</u>	<u>224,589</u>	<u>-</u>	<u>(119,215)</u>
Other financing sources (uses):				
Loan repayment	-	-	44,000	-
Operating transfers in	-	-	-	162,408
Operating transfers (out)	-	(224,589)	-	-
Total other financing sources (uses)	<u>-</u>	<u>(224,589)</u>	<u>44,000</u>	<u>162,408</u>
Net change in cash balances	49,485	-	44,000	43,193
Cash balances beginning of year	<u>219,279</u>	<u>-</u>	<u>(78,000)</u>	<u>(43,193)</u>
Cash balances end of year	<u>\$ 268,764</u>	<u>-</u>	<u>(34,000)</u>	<u>-</u>
Cash Basis Fund Balances				
Reserved:				
Debt service	\$ -	-	-	-
Unreserved:				
Special revenue funds	268,764	-	(34,000)	-
Capital project funds	-	-	-	-
Trust fund	-	-	-	-
Total cash basis fund balances	<u>\$ 268,764</u>	<u>-</u>	<u>(34,000)</u>	<u>-</u>

See accompanying independent auditor's report.

Schedule 1

Capital Projects				Debt Service	Trust Funds	
Wastewater Facility Project	US 69 Centennial Drive Project	Library Project	Entryway Project	Debt Service	Commemorative Tree	Total
-	-	-	-	160,378	-	160,378
-	-	-	-	5,164	-	229,753
-	-	-	-	-	-	192,566
-	-	-	-	-	-	552
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>165,542</u>	<u>-</u>	<u>583,249</u>
-	-	-	-	-	-	143,633
-	-	-	-	164,684	-	164,684
<u>27,640</u>	<u>1,167</u>	<u>3,773</u>	<u>6,625</u>	<u>-</u>	<u>-</u>	<u>158,420</u>
<u>27,640</u>	<u>1,167</u>	<u>3,773</u>	<u>6,625</u>	<u>164,684</u>	<u>-</u>	<u>466,737</u>
<u>(27,640)</u>	<u>(1,167)</u>	<u>(3,773)</u>	<u>(6,625)</u>	<u>858</u>	<u>-</u>	<u>116,512</u>
-	-	-	-	-	-	44,000
-	-	25,965	-	-	-	188,373
-	-	-	-	-	-	(224,589)
-	-	25,965	-	-	-	7,784
<u>(27,640)</u>	<u>(1,167)</u>	<u>22,192</u>	<u>(6,625)</u>	<u>858</u>	<u>-</u>	<u>124,296</u>
-	-	(22,192)	-	60,227	319	136,440
<u>(27,640)</u>	<u>(1,167)</u>	<u>-</u>	<u>(6,625)</u>	<u>61,085</u>	<u>319</u>	<u>260,736</u>
-	-	-	-	61,085	-	61,085
-	-	-	-	-	-	234,764
<u>(27,640)</u>	<u>(1,167)</u>	<u>-</u>	<u>(6,625)</u>	<u>-</u>	<u>-</u>	<u>(35,432)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>319</u>	<u>319</u>
<u>(27,640)</u>	<u>(1,167)</u>	<u>-</u>	<u>(6,625)</u>	<u>61,085</u>	<u>319</u>	<u>260,736</u>

City of Huxley, Iowa

Schedule of Indebtedness

Year ended June 30, 2005

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General obligation bonds:			
Water Improvement Bond, Series 2003	Apr 16, 2003	3.00%	\$ 500,000
General obligation refunding bonds	Nov 1, 2004	1.85-3.70%	\$ 3,725,000
Total			
Loan			
General operating and equipment	Jul 30, 2004	3.35%	\$ 160,000
Urban renewal tax increment financing (TIF) revenue bonds	Nov 1, 2001	4.00-4.90%	\$ 2,270,000
Urban renewal tax increment financing (TIF) revenue bonds	Jul 1, 2002	3.50-4.80%	1,730,000
Total			
Water revenue bonds	Feb 8, 2002	3.00%	\$ 1,816,000

See accompanying independent auditor's report.

Schedule 2

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$ 460,000	-	20,000	440,000	13,800	-
<u>-</u>	<u>3,725,000</u>	<u>235,000</u>	<u>3,490,000</u>	<u>64,381</u>	<u>-</u>
<u>\$ 460,000</u>	<u>3,725,000</u>	<u>255,000</u>	<u>3,930,000</u>	<u>78,181</u>	<u>-</u>
<u>\$ -</u>	<u>160,000</u>	<u>160,000</u>	<u>-</u>	<u>4,684</u>	<u>-</u>
\$ 1,940,000	-	1,940,000	-	-	-
<u>1,535,000</u>	<u>-</u>	<u>1,535,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 3,475,000</u>	<u>-</u>	<u>3,475,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 1,678,000</u>	<u>-</u>	<u>72,000</u>	<u>1,606,000</u>	<u>50,340</u>	<u>-</u>

Bond and Note Maturities

June 30, 2005

Year Ending <u>June 30,</u>	State Revolving Fund Revenue Bonds <u>Issued Feb 8, 2002</u>	
	Interest <u>Rates</u>	<u>Amount</u>
2006	3.00 %	\$ 74,000
2007	3.00	76,000
2008	3.00	78,000
2009	3.00	81,000
2010	3.00	83,000
2011	3.00	86,000
2012	3.00	88,000
2013	3.00	91,000
2014	3.00	94,000
2015	3.00	96,000
2016	3.00	99,000
2017	3.00	102,000
2018	3.00	105,000
2019	3.00	108,000
2020	3.00	112,000
2021	3.00	115,000
2022	3.00	118,000
Total		<u>\$ 1,606,000</u>

See accompanying independent auditor's report.

(continued)

Bond and Note Maturities

June 30, 2005

Year Ending June 30,	General Obligation Bonds				
	Water Improvement Bond Issued Apr 16, 2003		Refunding Bonds Issued Nov 1, 2004		Total
	Interest Rates	Amount	Interest Rates	Amount	
2006	3.00 %	\$ 20,000	2.20 %	\$ 400,000	\$ 420,000
2007	3.00	21,000	2.45	405,000	426,000
2008	3.00	22,000	2.70	415,000	437,000
2009	3.00	22,000	2.95	430,000	452,000
2010	3.00	23,000	3.15	435,000	458,000
2011	3.00	23,000	3.35	450,000	473,000
2012	3.00	24,000	3.55	470,000	494,000
2013	3.00	25,000	3.70	485,000	510,000
2014	3.00	26,000			26,000
2015	3.00	26,000			26,000
2016	3.00	27,000			27,000
2017	3.00	28,000			28,000
2018	3.00	29,000			29,000
2019	3.00	30,000			30,000
2020	3.00	31,000			31,000
2021	3.00	32,000			32,000
2022	3.00	31,000			31,000
	Total	<u>\$ 440,000</u>		<u>\$ 3,490,000</u>	<u>\$ 3,930,000</u>

See accompanying independent auditor's report.

Schedule of Receipts By Source and Disbursements By Function - All Governmental Funds

For the Last Four Years

	Year ended June 30,			
	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Receipts:				
Property tax	\$ 334,144	327,945	322,053	350,460
Tax increment financing taxes	<u>1,374,213</u>	<u>1,256,304</u>	<u>1,066,154</u>	<u>890,458</u>
Other city taxes:				
Local option sales tax	224,589	231,209	203,732	199,911
Mobile home tax	10,234	9,650	9,705	11,013
Utility tax replacement excise tax	10,192	8,817	11,558	9,494
Franchise fees	<u>30,008</u>	<u>8,020</u>	<u>5,366</u>	<u>4,814</u>
	<u>275,023</u>	<u>257,696</u>	<u>230,361</u>	<u>225,232</u>
Licenses and permits	<u>34,993</u>	<u>10,278</u>	<u>8,842</u>	<u>10,046</u>
Uses of money and property	<u>38,952</u>	<u>27,703</u>	<u>58,568</u>	<u>64,175</u>
Intergovernmental:				
Road use tax	192,566	192,894	188,553	185,506
State allocation	-	-	23,066	24,326
Grants	104,917	51,633	12,096	5,600
Bank franchise tax	944	7,170	6,227	5,499
Fire contracts	10,716	124,788	17,055	19,685
Ballard Community School	96,688	85,500	34,500	-
Police contracts	34,000	-	-	-
Miscellaneous	<u>26,764</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>466,595</u>	<u>461,985</u>	<u>281,497</u>	<u>240,616</u>
Charges for service	201,695	224,594	146,124	44,487
Special assessments	-	-	1,359	1,448
Miscellaneous	<u>195,931</u>	<u>157,580</u>	<u>102,305</u>	<u>23,902</u>
Total	<u>\$ 2,921,546</u>	<u>2,724,085</u>	<u>2,217,263</u>	<u>1,850,824</u>
Disbursements:				
Operating:				
Public safety	\$ 579,136	573,322	297,008	302,331
Public works	172,008	163,792	174,176	204,074
Health and social services	10,070	6,470	5,860	11,559
Culture and recreation	423,321	390,593	196,352	170,839
Community and economic development	332,313	328,821	236,772	13,462
General government	282,191	241,381	222,706	210,277
Debt service	499,620	791,258	438,540	262,135
Capital projects	<u>158,420</u>	<u>224,306</u>	<u>5,385,093</u>	<u>2,539,509</u>
Total	<u>\$ 2,457,079</u>	<u>2,719,943</u>	<u>6,956,507</u>	<u>3,714,186</u>

See accompanying independent auditor's report.

Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other
Matters Based on an Audit of Financial Statements Performed
in Accordance with Government Auditing Standards

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Huxley, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated August 4, 2005. Our report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, agreements noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved except for II-B-05 and II-H-05.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of the City of Huxley, and other parties to whom the City of Huxley may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Huxley during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Cornwell, Frideres, Maher & Associates, P.C.
Certified Public Accountants

August 4, 2005

City of Huxley, Iowa

Schedule of Findings

Year ended June 30, 2005

Part I: Findings Related to the Financial Statements:

None

Part II: Other Findings Related to the Statutory Reporting:

II-A-05 Official Depositories – A resolution naming official depositories has been approved by the City. The maximum deposit amounts stated in the resolution for South Story Bank and Trust were exceeded during the year ended June 30, 2005.

Recommendation – The City should increase their depository resolution.

Response – We will do this.

Conclusion – Response accepted.

II-B-05 Certified Budget - Disbursements during the year ended June 30, 2005, exceeded the amounts budgeted in the culture and recreation and community and economic development functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation – The budget should have been amended in sufficient amounts in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed budget.

Response – The budget will be properly amended in the future, if applicable.

Conclusion – Response accepted.

II-C-05 Questionable Disbursements – We noted no disbursements for parties, banquets or other entertainment expenses that do not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

II-D-05 Travel Expense – We noted no disbursements of City money for travel expenses of spouses of City officials or employees during the year.

City of Huxley, Iowa

Schedule of Findings

Year ended June 30, 2005

- II-E-05 Business Transactions – No business transactions between the City and City officials or employees were noted.
- II-F-05 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-G-05 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.
- II-H-05 Financial Condition – Note to the financial statements number 10 reported deficit fund balances at June 30, 2005.
- Recommendation – The City should investigate alternatives to eliminate these deficits in order to return these accounts to a sound financial position.
- Response – We are aware of the deficit balances. See footnote number 10 for further explanation.
- Conclusion – Response accepted.
- II-I-05 Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.
- II-J-05 Revenue Bonds/Notes – The City has complied with the revenue bond resolutions.
- II-K-05 Payment of General Obligation Bonds – Certain general obligation bonds were paid from the Special Revenue Fund – TIF account. Chapter 384.4 of the Code of Iowa states in part “monies pledged or available to service general obligation bonds, and received from sources other than property tax, must be deposited in the Debt Service Fund.”

City of Huxley, Iowa

Schedule of Findings

Year ended June 30, 2005

Recommendation – The City should transfer from the Special Revenue Fund – TIF account to the Debt Service Fund for future funding contributions. Payments of the bonds should then be disbursed from Debt Service Fund.

Response – We will transfer in the future as recommended.

Conclusion – Response accepted